



*The Grain and Oilseed Industry
of South Africa*

A JOURNEY THROUGH TIME

CHAPTER 2

2

The previous

MARKETING DISPENSATION

Commercial grain cultivation in South Africa only gained momentum since the latter part of the nineteenth century, after the discovery of gold and diamonds in the country. Initially a total free-market system applied, but from the early to middle 1930s the marketing of most grain products in South Africa was for roughly 60 years subject to statutory control measures, with control boards, schemes, pools and other interventions by the government.

Even before the promulgation of the first legislation in this regard in 1938, violent debates raged about and criticism was levelled against the introduction of these measures. The debate never really ended, and eventually led to the repeal in 1996 of the statutory control measures and the return to the free-market system.

DEVELOPMENT OF CONTROLLED MARKETING

The period immediately after the end of the three-year-long Second Anglo-Boer War between Britain and the Boer republics was characterised by almost desperate conditions in the farming communities of the former Transvaal and Free State in particular: Farms had been abandoned, the major part of South Africa's agricultural land had been laid waste and largely destroyed, producers' family life had been substantially disrupted and great poverty prevailed among the farming communities. In most cases producers had to start from scratch, with extremely limited means and very primitive technology and farming methods.

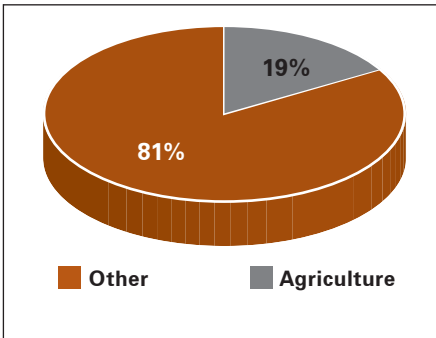
Co-operative movement

These conditions were probably the main motive for the establishment of co-operative associations from approximately 1908. At that stage maize production in particular grew relatively rapidly, but producers had to market their crops themselves. They generally did not have much business experience and were exploited by skilled traders. In due course this led to an awareness of the necessity for co-operative negotiations, and in 1908 the former Transvaal passed the Co-operative Societies Act, No. 17 of 1908, to make provision for the establishment and regulation of co-operatives. In 1910 a similar act was passed in the Orange Free State, and in 1922 the first co-operatives law of the Union of South Africa was promulgated, namely the Co-operative Societies Act, No. 28 of 1922.

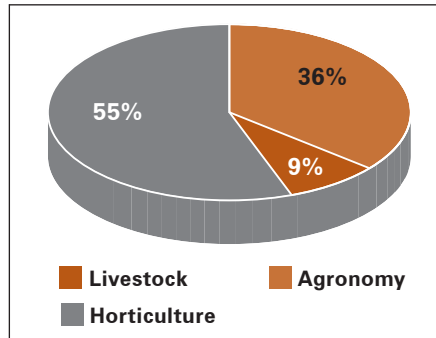
This legislation on co-operatives actually constituted the first steps towards establishing controlled marketing. The main aim of these co-operatives, of which only producers could be members, was to support producers in terms of the marketing of their products and the provision of input resources, counselling and later also financing. Although the government was instrumental in establishing co-operatives by promulgating the first co-operatives act, the co-operative societies were, from the earliest days, actually producer organisations: Their members and directors were all bona fide farmers.



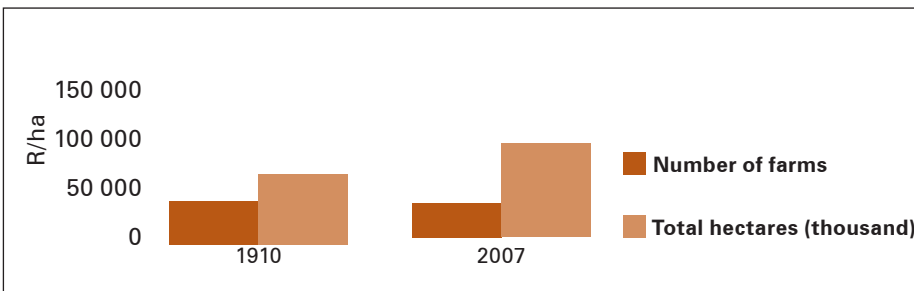
MORE THAN A CENTURY LATER GRAIN SA, THE MAIN BODY PROMOTING THE INTERESTS OF GRAIN AND OILSEED PRODUCERS IN SOUTH AFRICA AT THE BEGINNING OF THE 21ST CENTURY, IS STILL AN ORGANISATION WITH THE INTERESTS OF PRODUCERS AS ITS MAIN FOCUS.



Graph 1: 1910 – Agriculture’s contribution to total GDP for South Africa



Graph 2: 1910 – Percentage contribution to agriculture GDP in South Africa



Graph 3: Farms in South Africa, 1910 and 2007

For about 25 years after the establishment of co-operatives gained momentum, producers’ grain was marketed mainly by the co-operatives. In the historical records of some of the co-operatives of that time one reads of problems because of droughts, failed crops, unstable prices, problems caused by the importing of grain products and the sale of grain outside the co-operatives, and other practical problems that the grain industry experienced.

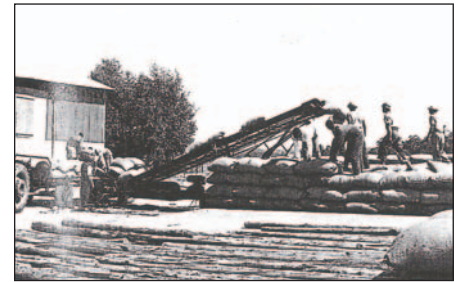
The government hoped that the co-operative movement would contribute to the stabilising of the grain market through the organised marketing of its members’ products. However, for various reasons – some of which reappeared again a few decades later in the free market – this did not happen. Producers received production credit from the co-operatives, for example, but then did not deliver the crop to the co-operatives to repay the debt.

In normal times the system did work relatively well, but during the Great Depression of the early 1930s it came under serious pressure. Prices dropped, and in the case of maize co-operatives they were forced to purchase more maize themselves – so much so that co-operatives were handling roughly 60% of the maize that was marketed in 1933. In times of surplus this led to an increase in the domestic price of maize, as surpluses had to be exported at a loss and the domestic price had to help support the export losses.

These and other problems probably led to the establishment of the *Centraal Agentschap* (Central Agency) with a view to, among other things, reducing competition among the co-operatives, particularly with respect to the marketing of grain. Not much information is available on that organisation, but it was probably a type of central co-operative and was liquidated in 1935, which indicates that it was not very successful in solving the problems at that time.

Even before the *Centraal Agentschap* was liquidated, certain of the co-operatives decided to request the establishment of a statutory single-channel marketing system for grain. On the basis of this request a Commission of Inquiry into Co-operation and Agricultural Credit was appointed in 1934 with Dr PR Viljoen, the Secretary of Agriculture, as Chairperson. The aim of the Commission was, among other things, to determine the role of co-operatives in the marketing of agricultural products.

The Commission took a strong stand against the establishment of any form of statutory single-channel marketing, as this would inevitably lead to setting prices at higher levels than market factors would justify. The Commission maintained that



Bag stacking.



An old threshing machine.



setting prices without taking all the factors determining supply and demand into account could promote surplus production. The Commission further believed that the existing problems in the industry had to be solved through trade, and recommended that an advisory council be appointed to advise the Minister of Agriculture on matters pertaining to the maize industry.

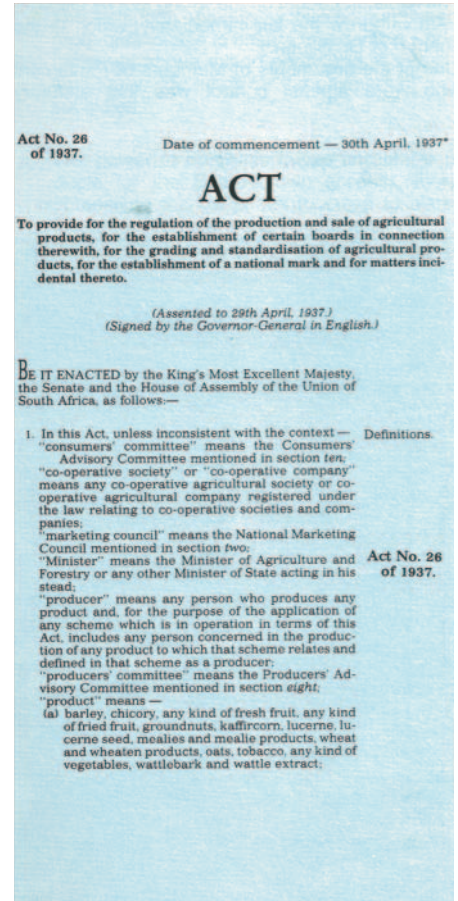
Statutory control introduced

Despite the strong stance that the Commission took against interference in the free-market system, the Minister of Agriculture in due course maintained that it would be wise to establish permanent and specialised control boards with greater powers so that they could play a stabilising role with respect to prices and the management of supplies. In addition to increasing pressure for control from the ranks of producers, factors like the desperate financial position of producers, sharp price fluctuations and the stabilising effect that limited government involvement had in the marketing of butter, cheese, tobacco and wine apparently influenced the Minister of Agriculture's view. In addition, leaders started to accept that South African producers had the first right to the domestic market and were entitled to stable, lucrative prices.

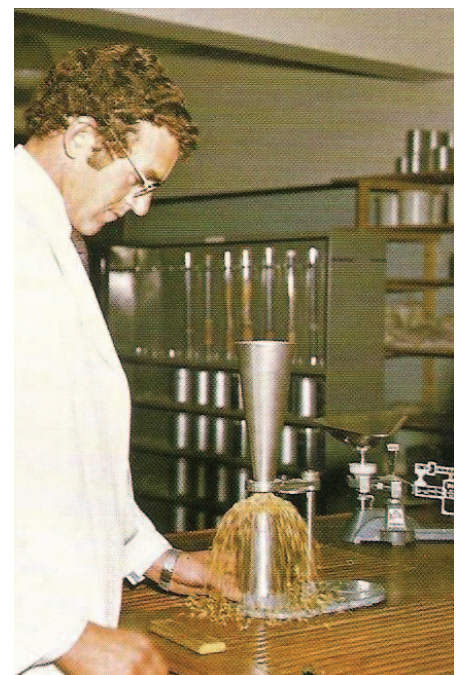
It does not seem as if all the co-operatives at the time supported the idea of controlled marketing, and some economists maintained that the financial resources required in agriculture could be used more profitably by other sectors like the mining industry. Others believed that agriculture had to be developed in order to contribute to the long-term sustainability of the South African economy.

The government started subsidising the exporting of grain products from the end of 1931, and essentially this was the start of grain price control in South Africa. Various other developments in the maize and wheat industry also pointed to this, as will become clear later in this chapter.

In spite of the criticism and opposition, and also in emulation of measures introduced by other countries to neutralise the consequences of the great drought in the USA, Australia and Africa and the worldwide depression of 1932/1933, Parliament eventually passed a Marketing Act, Act 26 of 1937, which paved the way for single-channel marketing. This was an enabling act that made provision for the introduction of a National Marketing Council and for the creation of schemes to control the production and marketing of agricultural products and functioning under the protection of the Act. It affected virtually all the branches of agriculture in South Africa to a greater or lesser extent.



The act that established single channel marketing.



Grading of maize.

BY 1976 THERE WERE 23 MARKETING BOARDS, WHICH CONTROLLED MORE THAN 90% OF SOUTH AFRICA'S AGRICULTURAL OUTPUTS, INCLUDING THE RED-MEAT INDUSTRY. THE MARKETING ACT WAS AT ONE STAGE CALLED THE MAGNA CARTA OF AGRICULTURE IN SOUTH AFRICA.



The main objectives of this Act, as well as of the act that later replaced it, were to promote steadiness in the price of agricultural products, increase productivity in the farming industry and improve the effectiveness of the marketing, processing and distribution of agricultural products.

Different control boards were introduced for the different agricultural products. The individual control boards developed schemes for the products under their control and submitted these to the National Marketing Council. The National Marketing Council then considered the scheme, or proposals for amending existing schemes, and submitted recommendations to the Minister of Agriculture, who made the final decisions in this regard.

The first Marketing Act was replaced by a new Marketing Act (Act 59 of 1968) in 1968, and it mainly represented a consolidation of various amendments made to the 1937 Act in the course of time. The 1968 Act remained in effect until it was revoked on 1 January 1997 by the Marketing of Agricultural Products Act, Act 47 of 1996. This was the end of controlled marketing and the beginning of the free-market system for agricultural products.

Role and functions of control boards

The control boards operated price schemes that varied from single-channel fixed-price schemes and single-channel pooled schemes to surplus-removal schemes. The majority of the members of the marketing councils were producers, but they also included representatives of other interest groups like consumers and processors.

In the opinion of the government, the main aims of the Marketing Act were to establish a more streamlined and orderly agricultural environment, thus promoting greater stability in the prices of agricultural products and reducing the gap between the producer price and the consumer price by way of rationalisation. The intention was to increase the productivity of the agricultural industry and the effectiveness of the associated industries through marketing schemes that were developed according to the specific needs of the different products. In this dispensation the functions of price fixing and price risk management were carried out by a panel of experts who used the information and powers at their disposal to fix prices with a view to promoting the objective of ensuring greater stability in agriculture.

However, producers complained from the start that prices were not fixed high enough to ensure the survival of the poorer producers, and that only large producers who were able to increase their production benefited from them. Using their political influence, the producers managed to acquire greater control of the marketing system than envisaged by the officials who had supported the establishment of control boards. In contrast, economists and opponents of controlled marketing felt that producer prices were generally set much higher than market value, which led to ineffectiveness and unproductive practices.

Despite the resistance and criticism, control boards for the agricultural industry in South Africa continued to exist for some 60 years.

THE CONTROL BOARDS IN THE GRAIN INDUSTRY

The first control boards that functioned under the Act were the Maize Board and the Wheat Board. The role and functions of the control boards were essentially the same for the different products placed under their control. The main role was probably the setting of and control over prices. However, the Boards did not set the prices themselves. They submitted proposals to the National Marketing Council, which then made a recommendation to the Minister of Agriculture.

The National Marketing Council was composed of civil servants, and according to the report of the Kassier Committee they were not always neutral. This would mean that prices could not always be justified in economic terms. In the end, the Minister decided on the prices, which on various occasions led to great dissatisfaction among maize producers in particular, as the Minister refused to accept the producer prices as proposed by the Maize Board.

MAIZE

The following table contains a summary of the most important moments in the history of the control over and gradual deregulation of the maize industry in South Africa:

1931	Mealie Control Act – export quotas
1935	Mealie Control Amendment Act, Maize Advisory Board appointed, control of maize exports
1937	Marketing Act
1938	First Maize Control Scheme established under the Marketing Act, amended from 1 May 1939
1944/1945	Start of single-channel marketing system for maize
1953	Establishment of Stabilisation Fund for Maize Board
1979	Summer Grain Scheme
1987	Summer Grain Scheme becomes single-channel pooled scheme
1994/1995	Deregulation commences with the implementation of a surplus-removal scheme, price floor and export control
1995/1996	Partial exemption from export prohibition to trade – the Maize Board manages export pools
1996/1997	Maize marketing totally deregulated
1997	Maize Board abolished

The government's involvement with the maize industry was initially aimed at solving problems resulting from climate factors. The first of these solutions was implemented in 1916 in the form of loans to purchase supplies, seed, implements and fertiliser, and later also for animal feed and transport costs for livestock.

In the 1920s producers generally obtained very good prices for their maize, despite a reasonably large supply due to good harvests. However, by 1930 and 1931, during the Great Depression, maize prices dropped dramatically globally. This, combined with good harvests in the 1931/1932 season, exercised tremendous downwards pressure on the local maize price. Exporters were not directly involved in the production of maize and had no incentive to export the surplus when foreign prices dropped. The position was so critical that only two options actually remained – government assistance or increased joint marketing.



The west wing of the Union Buildings, where the first meeting of the Maize Trust was held.





1931 Congress

On 10 June 1931 the *Landbouweekblad* reported about a Congress where delegates from more than a hundred farmers' associations from the maize-producing regions of the former Transvaal and Orange Free State met to reflect on measures for improving the serious condition in which the maize industry found itself. The Chairperson of the meeting explained that it had been convened to try and find a solution to save the maize industry from ruin. However, at that stage maize was not yet a recognised agricultural product and an urgent appeal was made to the government to recognise maize as such, while producers were encouraged to join co-operatives in order to increase the bargaining power of the co-operatives with the government.

At this Congress the acting Secretary for Agriculture at the time announced that the government was considering measures to support the maize industry. This would include removing the surplus maize from the fields, dividing the export losses between traders and co-operative associations, and stabilising the domestic market.

1931 – Maize Control Act

The first steps taken by the government to support the domestic maize prices (which were at that stage determined by the export price less transport costs) included the introduction of export quotas under the Mealie Control Act of 1931.

The quota system forced domestic buyers to purchase a portion of the exportable surplus maize and export it, sometimes even at a loss, which was subsidised by the government. This was an attempt at creating an artificial shortage domestically in order to ensure better maize prices for local producers in the short term, and freeing domestic price levels from international price levels, which had dropped by up to 50% as a result of the Great Depression.

However, in practice these measures created several problems. Firstly, the quotas had to be determined on the basis of early crop estimates. Secondly, for practical reasons the quotas had to be negotiable, which led to a large speculative market, and because the government guaranteed the purchase price of the quotas, the government incurred material losses in some years. It also became clear that even compulsory co-operative marketing – in terms of which producers had since 1931 been permitted to sell their maize only to licenced traders – could not support the maize price, as co-operatives competed with one another. The domestic price consequently dropped to export parity.

1935 – Maize Control Amendment Act

As a result of the problems mentioned above the measures introduced under the Mealie Control Act of 1931 were adjusted from 3 May 1935, when the Mealie

IN 1931, THE YEAR IN WHICH THE MEALIE CONTROL ACT CAME INTO EFFECT, 1,36 MILLION TONS OF MAIZE WERE PRODUCED IN SOUTH AFRICA. WHEN THE MAIZE BOARD WAS ESTABLISHED IN 1935, PRODUCTION AMOUNTED TO 2,557 MILLION TONS.

Control Amendment Act (Act 59 of 1935) was promulgated. This Act made provision for the establishment of the Mealie Industry Control Board, the precursor to the Maize Board. Initially this Board was appointed as an advisory board on the recommendation of the Commission of Inquiry into Co-operation and Agricultural Credit, which had strongly advised against the introduction of single-channel marketing for maize.

Since the commencement of the Marketing Act of 1937 the Maize Board functioned under that Act, and its status changed from an advisory board to a full control board.

The problems experienced with the quota system led to an amendment of the legislation in this regard in 1937, and resulted in the Maize Board, among other things, becoming a clearing house for quota certificates at fixed prices. This eliminated speculation with the quotas and accomplished better control over the exporting of maize.

At the same time the Board was given 'authority to determine the maize price and export and store maize'. The main aim of the Board was to introduce stability into the maize industry by eliminating excessive price fluctuations, promoting production efficiency, retaining soil fertility and creating a balanced relationship between the interests of the producers and other role-players in the market.

The decision to authorise the Maize Board to enforce single-channel marketing for maize was preceded by a long drawn-out and difficult process. When the Mealie Industry Control Board convened for its first meeting on 12 July 1935 under the chairmanship of Dr PR Viljoen, the Secretary of Agriculture, a subcommittee was appointed at the request of producers to investigate the possibility of single-channel marketing. Although the first ideas about this were nipped in the bud, it did not disappear from the scene and was tabled repeatedly. Time and again various arguments in favour of as well as against the introduction of single-channel marketing system were heard.

While the debate on single-channel marketing continued, maize supplies varied enormously from year to year. In some years, for instance in the 1938/1939 season, large surpluses were produced, while material shortages were experienced in other years. This led to drastic measures by the government in the form of an 'interim' Maize Control Scheme that gave the Maize Board the following powers:

- Control of exports through a permit system;
- the introduction of a levy to ensure that domestic prices remained higher than import parity and the provision of funds for paying export subsidies;
- the right to purchase maize for own account; and
- the right to oblige any person dealing in maize or maize products to report monthly to the Maize Board on transactions completed.

During 1941/1942 the consumption of maize in South Africa started to increase, which led to traders withholding supplies in anticipation of price increases resulting from the greater demand. This led to the Maize Board being authorised by the Minister to fix the selling prices of maize and maize products from November 1941. In January 1942 the Board was also authorised in terms of War Measure 20 of 1942 to claim maize from persons who had stored more maize than required to meet their immediate needs. At the same time the Maize Board was authorised to appoint agents to receive and distribute maize on their behalf – all steps in the direction of greater control.

In 1942 the maize crop for the next season was expected to be very poor and a fixed producer price for maize was announced – the first in the history of South Africa. The government also announced measures with respect to the sale, distribution and consumption of maize. This included a permit system and a restriction on the manufacturing of maize products. In March of that year a food control organisation was established and the different control boards that were already functioning in terms of the Marketing Act at that stage joined it at the request of the Minister of Agriculture.

Single-channel marketing

Everything therefore pointed to the government trying to exercise greater control over the marketing of agricultural products. This view was strengthened by a



Maize is weighed on a platform scale.



A typical scene of maize being shipped at a South African port.



critical supply position at the beginning of the 1943/1944 season and problems that were experienced with the storage and handling of maize. This led to the Maize Board deciding in 1944 to implement a single-channel marketing system for maize for the 1943/1944 season. In terms of this system the Maize Board became the only marketing body for maize in the so-called controlled areas.

Maize producers and off-takers were then no longer entitled to enter into direct maize transactions with each other. They were also prohibited from storing greater quantities of maize than those required for their own needs.

Initially, the single-channel marketing system was introduced for a trial period of one year in the 1944/45 season, but eventually it continued until the 1995/1996 season, with minor amendments from time to time.

The basic principles of the single-channel marketing system was (i) that the Minister of Agriculture fixed the maize price every year (in May of every year) after considering the recommendations of the Maize Board, the National Marketing Council and the Minister's other advisers, (ii) that all consumers of maize had to contribute to the cost of handling and storing grain, and (iii) that consumers had to be assured of adequate grain supplies at predetermined prices.

Under the single-channel marketing system the Maize Board was the only buyer and seller of maize in the main production areas. For that purpose three production areas were identified where different measures with respect to the marketing of maize applied:

- Area A included the present (2014) North West, Free State, Gauteng and Limpopo, as well as the north and north-western areas of KwaZulu-Natal and a small part of the Northern Cape in the Hopetown area. This area produced about 95% of South Africa's maize and the producers in the area were forced to sell their maize only to the Maize Board or its agents, at the fixed price. This meant that the Maize Board in effect had full control over the maize produced in the country.
- Area B comprised various small areas spread around the central, southern and south-western areas of the country. In that area producers were permitted to sell their maize only to the Maize Board or traders registered with the Maize Board at prices that were not allowed to be lower than the prices applying in Area A. These traders had to submit monthly returns to the Maize Board on the maize they had purchased and pay a levy on the maize that they purchased.
- Area C covered the rest of the country. In that area no control applied, except that a levy had to be paid to the Maize Board on all maize from that area that was sold in the other two areas.

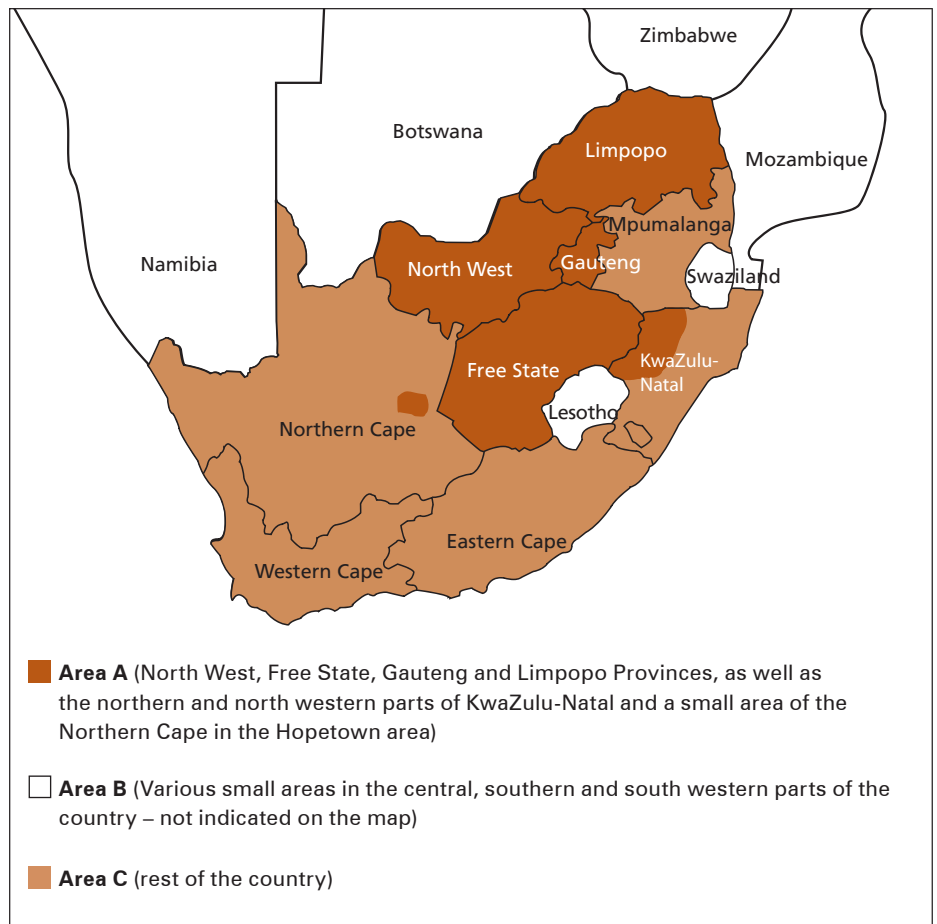
With the introduction of the single-channel system the Maize Board appointed the existing organisations involved with the handling and storage of grain, namely the co-operative associations, millers and trader agents, as its agents. The Maize Board did not undertake the functions of handling, storing, financing and distributing maize itself, but handled these through its agents.

In time it was also possible for the Board to make bulk storage facilities available through these agents. In addition to delivery to the agents, producers could also deposit their maize directly in grain elevators of the Railway Administration. In this way the Maize Board controlled roughly 90% of the country's maize by the beginning of the 1950s.

The Maize Board was therefore in effect in a position where it could retain total control of maize supplies. The Board therefore knew exactly how much maize was available in the country, which enabled it to provide the Minister with proper advice on the exporting or importing of maize and controlling of carry-out supplies. This also contributed to better planning with respect to distribution and the elimination of needless cross consignments, which were unco-ordinated and extremely ineffective in the era before the introduction of the Maize Board.

1957 – Joseph's Policy

The need for adequate carry-over supplies became a regular discussion point in the Maize Board as far back as the early 1940s. This matter came to a head in 1957 when maize had to be imported to supplement the deficit in domestic production.



The three production areas of the Maize Trust.

Because of this, the Maize Board decided to set an annual carry-over supply of 630 000 tons of maize. The required carry-over supply was adjusted from time to time and in 1985 it stood at 900 000 tons.

This policy of the Maize Board to make provision in good years for possible deficits in the future was known as the Joseph’s Policy, borrowed from the Bible story of Joseph who had advised the Pharaoh to store grain in the seven good years with a view to the seven lean years that had been predicted.

The Joseph’s Policy was one part of the Maize Board’s carry-over supply policy. Provision was also made for bridging supplies in order to ensure that sufficient maize would be available until producers started delivering their crops and the Maize Board was in a position to make decisions about their distribution. Before the time of technology like fax machines and the internet (which came into being only in the last years of the Maize Board’s existence in any case) information on grain delivery was sent to the Maize Board via magnetic tape, and it was received on average only after ten working days. Only then could arrangements for the distribution of the supplies be made, which necessitated keeping bridging supplies so that the demand by buyers and processors could constantly be met.

Price fixing

The Maize Board’s annual report of 1951 reported that in terms of the Maize Control Scheme the maize price was determined annually by the Maize Board with the approval of the Minister of Agriculture. The Maize Board determined a proposed price, after which organised agriculture could make inputs before this price was submitted to the National Marketing Council, who had to submit a report on the proposed price to the Minister.

The Maize Board calculated the proposed price on the basis of the following factors:

- The average production costs of maize determined in that year with reference

1957 – JOSEPH'S POLICY ACCEPTED

We all know how Joseph in Biblical times advised the Pharaoh to store grain from the seven good years for the seven lean years. This was why the Board gave the name of "Joseph's Policy" to its decision to carry over a maize reserve every year as a safeguard against a possible poor crop the next year.

The need for adequate carry-over stocks was a regular point of discussion for the Board from the early 1940s onwards. Matters came to a head in 1957 when it became necessary to import maize to supplement a shortage in domestic production. It was then decided in March 1957 to set the carry-over stock level at 636 000 tons. This figure had been adjusted from time to time to its eventual 900 000 tons. The cost of carrying this stock was borne by the Government in the past.

Maize Board 1935 - 1985

to the average production costs in the Transvaal Highveld Region and the north-western Free State region.

- An allowance for contingencies like unforeseen price increases and interest on operating capital.
- Entrepreneurs' remuneration for the producers, which was calculated with a specific formula.
- Additional considerations like supply and demand trends and the relationship between the maize price and the prices of other agricultural products.

The advance price set by the Maize Board meant that producers could do their planning for plantings at a fixed lowest-price scenario. Prices did stabilise, but often at higher levels than the world markets.

However, even in 1951 differences arose between the government and the Maize Board about the producer price for maize, a battle that still led to major dissatisfaction and disagreement for decades afterwards. The Cabinet was not satisfied with the price calculations, but eventually accepted the price recommended by the Maize Board because it feared that not enough maize would be produced in the country if a lower price was set.

The maize price was the same for the whole country, regardless of where the product was harvested or delivered, which meant that producers who were located closer to the market subsidised the transport costs of the producers further away from the market. This probably contributed to production in the marginal areas being expanded, and later scaled down again after controlled maize marketing was abolished in 1996 and a transport differential came into effect. The result was that producer prices no longer made the production of maize in those areas profitable.

The fixing of the maize price led to robust debates and dissatisfaction from producers on several occasions – to such an extent that the producer members of the Maize Board by common consent and with the full support of the National Maize Producers' Organisation (NAMPO) resigned from the Maize Board.

The background to this was that in the previous year (1984) the Minister of Agriculture, Mr Greyling Wentzel, had concluded an agreement with the Chairperson of the Maize Board, Mr Crawford von Abo, in which the Minister had undertaken to accept the maize price the Maize Board proposed if that price had been unanimously accepted by the members of the Maize Board, including the consumers. This in fact happened, and the Minister of Agriculture was forced to accept and announce the proposed price, even though it was considerably higher than the previous year's price (R100/ton higher) and he did not really agree with it.

However, it led to great dissatisfaction from, among others, the State President, and the realisation developed that the ongoing tension between the producers and the Minister about the maize price was extremely dissatisfying and had to be addressed at the highest level. The Maize Board decided to negotiate with the government regarding the appointment of a ministerial committee that could



The offices of the Maize Trust in 1969.



Urea arrives at the Durban harbour. The Maize Trust exchanged urea for maize after the price of nitrogen skyrocketed.



Video: A personal account of producer members' then resignation from the Maize Trust – Mr Crawford von Abo.



investigate structural solutions for the problem with the fixing of an acceptable maize price. This was particularly important in view of the role that maize played as the staple food of a large part of South Africa's population.

The request was received well by the government, which agreed that such a committee should be appointed. The discussions in this regard took place in September 1984, but by March 1985 the committee had – according to Von Abo – not done anything yet. When the maize price was announced in April 1985 it was effectively at the same level as that of the previous year despite the presentation made by the Maize Board based on calculations by the Department of Agriculture.

The producer members of the Maize Board refused to accept the price that was announced (it was rejected by twelve votes to one) and on 25 April 1985 eight of them resigned from the Board.

Because of the untenable situation the Minister of Agriculture was requested to arrange a meeting with Mr PW Botha, the State President, for a delegation from the maize producers. The Minister agreed to try and arrange this, but warned that the representatives of the producers were bearding the lion in its den. He managed to arrange the meeting, at which Messrs Hennie de Jager and Boetie Viljoen of NAMPO, together with Mr Kobus Jooste of the South African Agricultural Union, represented the producers.

The meeting was held in Tuynhuys in Cape Town and was also attended by Messrs Greyling Wentzel, Barend du Plessis (Minister of Finance) and the State President's personal secretary. The State President did not take much heed of the delegation's proposals. He pointed out to them that the price of maize had risen by considerably more than the prices of other agricultural products in the previous year. Counter-arguments fell on deaf ears.

When it transpired that the discussion of the maize price would not bear any results, Mr Jooste used the opportunity to talk to the State President about a loan of R100 million that had been intended for the SAAU. Mr Botha had already lost his temper and said that after the previous discussion he felt like cancelling the loan. During the discussion he also threatened to reconsider the interest subsidy that producers enjoyed at the time and that was an extremely important aid to many producers. The delegation returned empty handed and reported back accordingly to the maize producers at a mass meeting in the Markotter Stadium in Klerksdorp the next day.

In the meantime, the dissatisfaction about the maize price and the continued refusal by the Minister of Agriculture to adjust the price led to many producers deciding not to deliver any maize. In some cases the supporters of the action even tried to physically prevent producers who were not in favour of the action from delivering their maize to the silos of the co-operatives. Access to silo premises was barred by long queues of trailers with maize parked at the entrance, but not delivered.



Sound bite: Mr Boetie Viljoen's recount of the meeting in Tuynhuys with the former State President, Mr PW Botha.



Mr Boetie Viljoen



Mr Hennie de Jager

AT THE TIME WHEN MINISTER GREYLING WENTZEL WANTED TO ANNOUNCE THE MAIZE PRICE, THE CHAIRPERSON, MR CRAWFORD VON ABO AND OTHER SENIOR OFFICE BEARERS OF THE MAIZE BOARD WERE ON A MISSION TO THAILAND. WHEN THEY

LEARNED THAT THE MINISTER INTENDED ANNOUNCING THE MAIZE PRICE THEY RETURNED TO SOUTH AFRICA IMMEDIATELY TO ATTEND THE MEETING, WHERE THE EVENTS EXPLAINED ALONGSIDE TOOK PLACE.

THE PERSONS WHO RESIGNED AS MEMBERS OF THE MAIZE BOARD AT THE MEETING WERE MESSRS CRAWFORD VON ABO, BOETIE VILJOEN, HENNIE DELPORT, GERRIT GREEN, CERNEELS CLAASSEN, CORNELIS LEONARD, MOF VISSER AND WILLIE VAN DER RYST.



The non-delivery action was initially supported well, but it was not sustainable. The State President's threat about the possible reconsideration of the subsidy on interest rates may have played a role in the producers' decision to end the strike. At that stage South Africa was experiencing an enormous increase in interest rates and the scrapping or downscaling of the interest rate subsidy would have broken many producers financially.

Apparently the State President had also threatened at one stage to call in the assistance of the Defence Force to make sure that the crops were indeed harvested and delivered.

The resignation of the NAMPO members from the Maize Board in 1985 created a major problem for the Minister of Agriculture, as the remaining members of the Maize Board no longer formed a quorum. The Minister was forced to address the problem, as the Marketing Act required the existence of a functioning Maize Board. The dilemma was that since 1980 the eight producer members of the Maize Board had to be appointed by NAMPO, but NAMPO had walked out.

The Minister then appointed producer members to the Board at his discretion, some of whom were in fact NAMPO members, but they had not been nominated by NAMPO. The persons who were members of NAMPO were expelled from NAMPO after they had been appointed to the Maize Board by the Minister, as they had violated the organisation's constitution, which provided that only executive members of NAMPO were permitted to serve on the Maize Board. However, the Maize Board continued functioning on this basis until discussions between the Minister of Agriculture and NAMPO led to the Minister agreeing in 1987 to appoint members of NAMPO as producer members to the Board again.

From the 1981/1982 up to the 1986/1987 marketing years there was a systematic switch from using production costs as basis for determining the producer price for maize to a system where the price was fixed by the Minister after negotiations with the Maize Board, where the majority was producer representatives and NAMPO members.

The Chairperson at the time, Mr Hennie de Jager, remarked that he had noted a shift away from a controlling body to a marketing body, although he believed that the Maize Board would always remain an integrated part of the industry and would play a key role in resolving marketing problems. This finally realised after the reappointment of the NAMPO members to the Maize Board in 1987, when an agreement was reached with the Minister in terms of which the basis for fixing the producer price was changed.

This essentially changed the Maize Board from a control board to a marketing council with market-oriented prices, risk hedging, product promotion and market research as point of departure. The marketing of maize was changed to a single-channel pooled system, in terms of which domestic prices were determined by the

WHEN THE DELEGATION TO THE STATE PRESIDENT ASSUMED AT ONE STAGE THAT THE DISCUSSION WAS OVER, MR DE JAGER GOT UP. MR BOTHA ASKED HIM WHERE HE WAS GOING AND HE SAID THAT HE WANTED TO GO TO THE TOILET, UPON WHICH MR BOTHA ORDERED: 'SIT DOWN. I'LL TELL YOU WHEN YOU CAN GO.'

MINISTER GREYLING WENTZEL'S AGREEMENT TO APPOINT NAMPO MEMBERS TO THE MAIZE BOARD AGAIN DEVELOPED INTO A CAT-AND-MOUSE GAME, AS NAMPO HAD TO NOMINATE TWO PERSONS FOR EACH POSITION AND THE MINISTER THEN DECIDED WHICH ONE OF THE TWO HE WOULD APPOINT. NAMPO NOMINATED THE PERSONS WHO HAD PREVIOUSLY RESIGNED FROM THE BOARD AS THEIR FIRST CHOICE, BUT THE MINISTER APPOINTED THE OTHER PERSONS (WHO WERE LIGHTLY REFERRED TO AS THE TACKIE TEAM IN NAMPO RANKS).

AT THE NEXT NOMINATION PROCESS THE SAME THING ALMOST HAPPENED AGAIN. THIS PLACED ONE OF THE MEMBERS, MR HENNIE DE JAGER, IN A DIFFICULT POSITION, AS HE WAS AT THE SAME TIME CHAIRPERSON OF THE MAIZE BOARD AND OF NAMPO. TO RESOLVE THIS THEY ARRANGE FOR MR DE JAGER TO SERVE AS CHAIRPERSON OF THE MAIZE BOARD AND VICE-CHAIRPERSON OF NAMPO, WHILE MR BOETIE VILJOEN WOULD SERVE AS CHAIRPERSON OF NAMPO AND VICE-CHAIRPERSON OF THE MAIZE BOARD.



Sound bite: There was always time for a bit of humour. The young men had to see to the fixing of the latest maize price while the ringleaders were on an overseas study tour – Mr Vic Mouton.

difference between the Maize Board's operating costs and the proceeds on sales. This was probably the first clear policy change on the road to deregulation, which would become reality with the commencement of the Marketing of Agricultural Products Act of 1996.

When the producer price was determined in the new dispensation the Maize Board had to take the expected domestic demand and supply into account, together with the costs and proceeds of maize exports. The producer price was obtained by dividing the net proceeds of the crop by the expected supply. All the maize was pooled and producers received an initial (advance) price. If any surpluses realised, they were paid out to the producers by way of intermediate and final payments.

All interest groups (like the millers, feed processors and other consumer groups) were involved in the pricing process. The price that was set after the meetings was submitted to the Agricultural Marketing Council, which made a recommendation to the Minister of Agriculture, who approved and announced the final price.





Resistance

In due course the gap between the producer price and the consumer price of maize increased because of marketing factors like a weakening currency (ZAR), a decrease in the global price of maize and an increase in the maize supplies available that had to be exported at low prices because of surplus production. These factors, together with the abolition of the government's subsidy on the export costs of maize in the early 1980s, led to the special levy having to be increased, which triggered greater resistance to the single-channel marketing system for maize.

In 1994, in protest against the high levies, a number of the biggest maize buyers (the Concerned Buyers Group) applied to the court to declare certain of the provisions of the Summer Grain Scheme to be unconstitutional, and also submitted an application for an interdict that would prohibited the Maize Board from collecting levies on certain maize transactions. The application did not succeed.

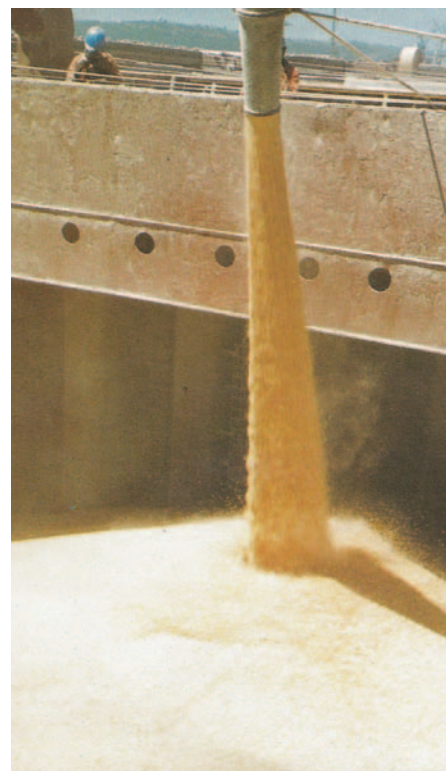
However, the opposition to the scheme did not abate and certain parties in the maize industry tried to circumvent the payment of the levies in various ways, for example by entering into partnerships, contracts of employment, lease contracts and production contracts, and establishing different legal entities in very complicated transactions that made it difficult to pinpoint the evasion of the levy obligation.

Because of the circumvention of the system the maize industry started destabilising, the gap between the producer and consumer price increased and the Maize Board could not always budget properly for exports. The Maize Board's domestic sales declined, with a consequent larger export surplus. The fact that the Maize Board was unable to collect the levies on the total crop had material financial implications.

1994/1995 Marketing season

As no agreement on the producer price for maize that was acceptable to all the role-players in the maize industry could be reached in the 1994/1995 marketing season, it was agreed that the Summer Grain Scheme would be terminated on 30 April 1995 and replaced by a new maize marketing scheme. The core properties of the replacement scheme were as follows:

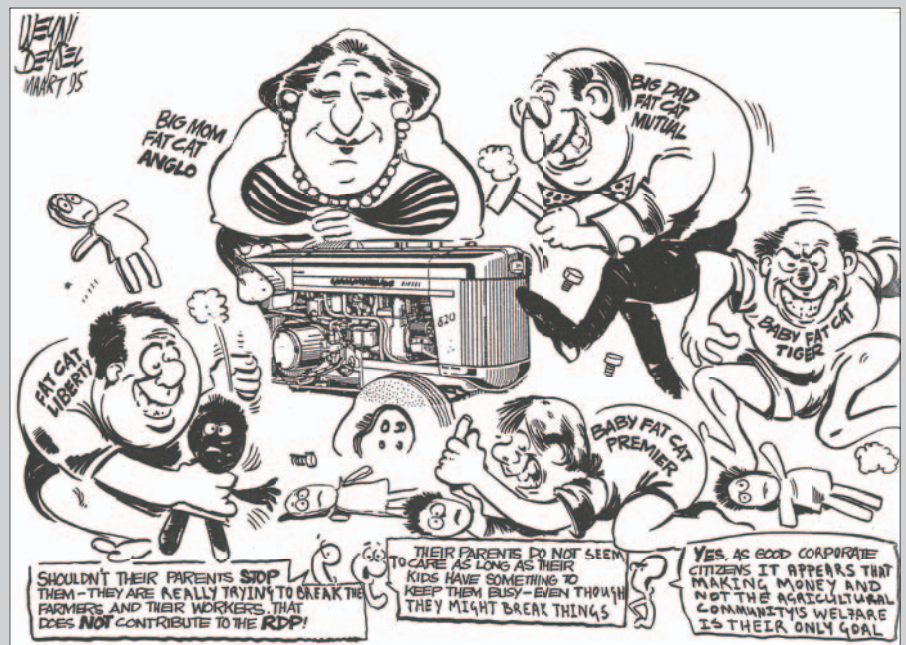
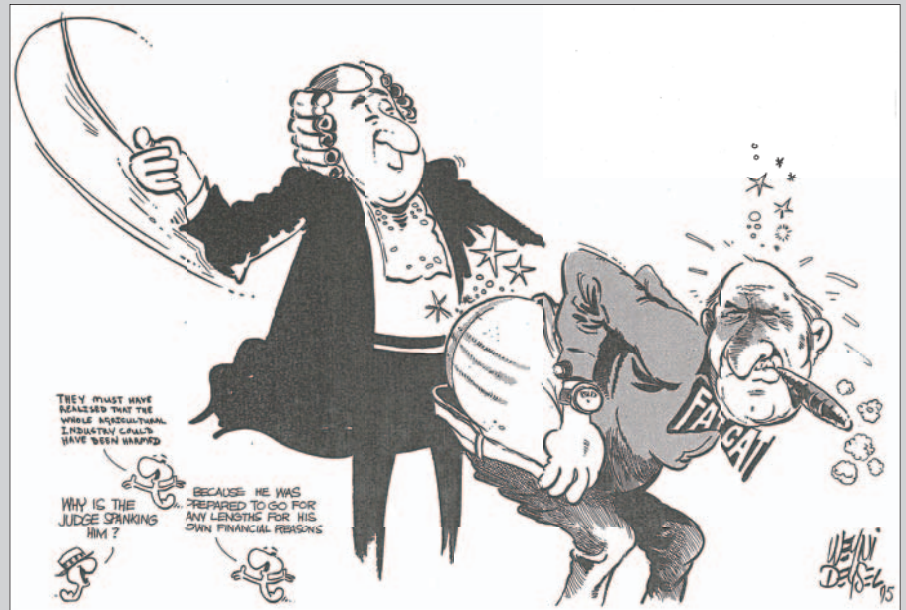
- Maize prices would be determined without statutory intervention in the market place.
- The functions of the Maize Board were amended and mainly comprised the following: Running a single-channel export pool, administering a stabilisation levy on purchases from producers as well as a producer levy, providing market information and registering producers and buyers with a view to managing levies and gathering information.
- The Maize Board could make maize from the export pool available for domestic sale, provided that the landing price with the buyer would not be less than import parity plus R20/ton.



Exporting maize per ship.

MAIZE TRUST/CBG COURT CASE

In protest against the high levies a number of the biggest maize buyers (the Concerned Buyers Group – also called the Fat Cats [see cartoon alongside]) initiated a court application in 1994 to have certain of the conditions of the Summer Grain scheme declared unconstitutional, as well as an application for an interdict to prevent the Maize Board to collect levies on certain maize transactions. The application was unsuccessful. This way the 'country's biggest maize buyers were prepared to disrupt the total agricultural industry for their own personal gain (from *Mielies/Maize*, January 1995).



- All maize producers and buyers had to be registered with the Maize Board.
- No control would be exercised over grain silo owners with respect to the storage of maize, and remuneration rates for storage would be determined by agreement between the parties.
- Producers could sell their maize directly to buyers and prices were determined by agreement between buyers and sellers.
- There was no restriction on the buying and selling or even importing of maize, provided the imported maize complied with certain sanitary and phytosanitary standards.
- Producers who supplied maize in the export pool received an advance/ton on delivery, and after the final completion of the pool the surplus was divided among them by way of a final payment on the basis of tons delivered.

In the next marketing season these arrangements were amended further to permit the free exporting of maize too, subject to the acquisition of an export permit from the Maize Board and the payment of an export levy. In that season the Maize Board marketed only maize that was delivered in the export pools.

Stabilisation fund

After the very good profits the Maize Board had made with exporting maize in 1950 and 1951, the idea developed to start a stabilisation fund. Two schools of thought existed about this: On the one hand there were persons who believed that the government was responsible for stabilising maize prices and that the profits and losses with respect to exports should be for the government's account. On the other hand there were those who maintained that the profits that were realised with exports should go to the producers.

Eventually the Stabilisation Fund was established in 1953/1954 when the Maize Board decided to pay the profits that had been made with maize exports in previous years, together with the contributions of consumers and the government, into a fund that could be used to cover possible future export losses and contribute towards the stabilisation of the producer price for maize. At the same time the Maize Board decided that the Stabilisation Fund would in future be supplemented by contributions by producers as well as consumers and the government.

Analysts from the maize industry are of the opinion that the price policy followed by the Maize Board contained an incentive that was big enough to stimulate increased maize production, which ultimately led to overproduction. This resulted in several years of the Maize Board having to export the surplus maize at a loss because the domestic producer price was higher than the ruling prices globally.

The Stabilisation Fund made valuable contributions towards recouping export losses and stabilising the industry in various other respects, often by subsidising the producer price for maize.

At times the Stabilisation Fund was very strong, but because of losses with the exporting of maize in the period since the 1977/1978 season, interest that had accrued on the accumulated debt and deficits that had arisen from an exchange transaction with Romania, the Stabilisation Fund was eventually exhausted.

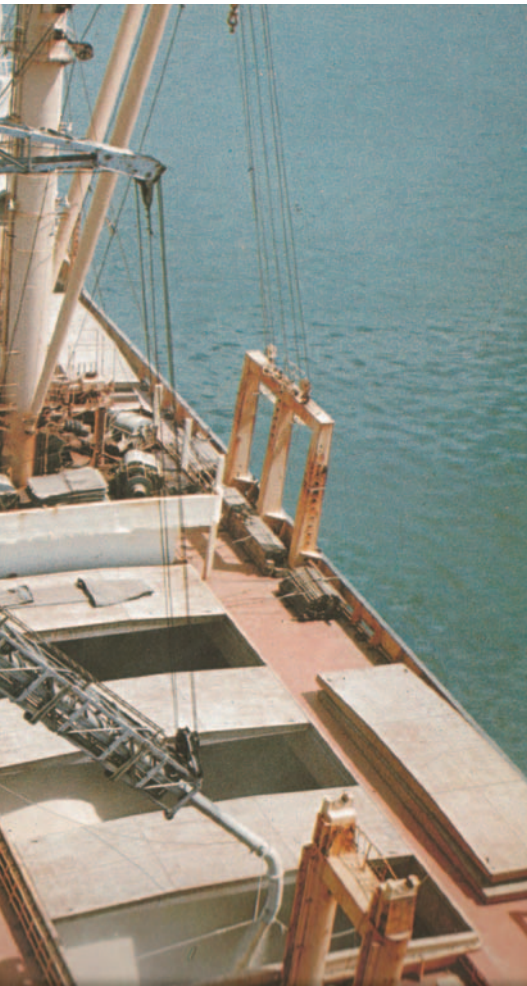
On 1 May 1980 the Stabilisation Fund still had a positive balance of R5,2 million. However, from the 1981/1982 marketing year the practice of using production costs as the basis for determining the producer price for maize was gradually replaced by a system in which the producer price was set by the Minister after negotiations with the Maize Board. The levels at which the producer price was fixed in this period were often higher than the international price, so that surplus maize was exported at a loss. These losses were borne by the Stabilisation Fund and eventually contributed to the deficit that developed in the fund.

In 1982 the deficit in the Stabilisation Fund was roughly R53,7 million, but by April 1983 it had already grown to R213 million. The position worsened further and on 30 April 1987 the deficit in the fund amounted to approximately R481 million.



Representatives of the Maize Board sign an export contract with the Republic of China in 1986.





NAMPO's view was always that the government had to accept responsibility for the deficit in the Stabilisation Fund, given the circumstances under and way in which it arose. After many negotiations the government finally undertook in 1989 to take over the deficit, which had been recorded as a loss in the Maize Board's books. Although the government accepted responsibility for the Stabilisation Fund, they did not want to pass it on to the Treasury. The loss was therefore still recorded in the Maize Board's books, and interest was calculated on it annually, which meant that it was included in the Maize Board's budget.

The National Party-controlled government never settled that debt. After the election in 1994 that brought the ANC-controlled government into power, a new Minister of Agriculture was appointed. A delegation from the Maize Board led by the Chairperson convinced the Minister that the government was responsible for paying the deficit in the Stabilisation Fund, and it was at last settled by the new government.

Levies

The maize industry was subject to three levies that had been introduced in terms of the Marketing Act and/or the Summer Grain Scheme.

The first of these was a general levy introduced by the Minister in terms of the Marketing Act. It was collected by the Maize Board, but paid over to the Department of Agriculture to fund the South African Agricultural Union.

The second was an ordinary levy that the Maize Board charged in terms of the Summer Grain Scheme to fund the Board's administrative expenses like the cost of advertising, administration, research, market information and distribution.

The Maize Board was also authorised, in terms of the Summer Grain Scheme, to collect special levies on maize. The special levy was used to pay the marketing costs the Board had to incur to market maize. This included the transport costs to ports, finance costs, losses on exports, storage costs and handling costs.

When maize was sold to or through the Maize Board to a person who was not registered for trading in maize in the ordinary course of business, the levy had to be paid by the seller (the producer). If maize was sold to a person who was registered to trade in maize, the levy was payable by the buyer. However, no levy was payable on maize that was employed for personal use by the producer.

Powers, duties and functions of the Maize Board

In addition to the ordinary powers required to carry out administrative functions, the Maize Board possessed the following authority:

- To buy and sell maize and maize products;
- with the approval of the Minister of Agriculture, to prohibit the sale of maize and maize products to any party other than the Maize Board or its agents or registered maize traders, and charge a levy on maize that was processed or bought from producers;
- to grant financial and other assistance with respect to research;
- to establish an information service in order to inform producers about marketing conditions;
- to encourage the domestic consumption of maize and maize products and promote the development of the maize industry in South Africa; and
- to advise the Minister of Agriculture on general matters like the grading requirements for maize, arrangements with respect to the import and export of maize and maize products and, in general, the marketing and/or processing of maize and maize products.

In addition to the functions of the Maize Board with respect to the marketing of maize and other types of grain, it served as a material link in the maize industry in various respects and various fields:

- The Board and its agents were responsible for the acceptance, grading, storage and distribution of the country's maize supplies. In this regard the agricultural co-operatives played the main role, but the Board also appointed millers and



traders as agents. The ultimate right to and responsibility for the distribution of maize always rested with the Maize Board, however.

From July 1977 all maize, sorghum and buckwheat transported from the interior to ports were transported in bulk consignments by rail. By approximately 1985 maize was the third most important commodity after coal and iron ore that was handled by the railways, and roughly 85% of the maize crop was transported by rail. However, by 2014 this had dropped to only about 15% due to a large-scale increase in road transport.

- The Maize Board played a pivotal role in ensuring that financing was available so that producers could be paid immediately on delivery of their grain and the Board's agents could be remunerated for their services. In times where losses on exports accrued, the Maize Board obtained loans against state guarantees from the Land Bank or the Reserve Bank to finance the losses.
- The Maize Board also played an important role in identifying research needs in the maize and buckwheat industries and in supporting research projects, although the Maize Board itself was not a research institution. All new maize cultivars were tested first before they were released, particularly with respect to hardness and milling quality.
- The Maize Board served as a link in the communication between different role-players in the industry, as well as in negotiations with other economic sectors and the government.
- As the only exporter of maize and buckwheat, the Maize Board played a vital role in developing export markets. This was handled by the Export Committee of the Board, which determined how much maize was available for export, compiled an export programme according to which it was managed, managed the logistics and financing for this, and handled hedging on the Chicago Board of Trade when global markets were favourable.
- From approximately 1974 the Maize Board assisted the former independent states (Transkei, Bophuthatswana, Ciskei and Venda, as well as the self-governing area of Lebowa) with the development of their agricultural marketing systems.
- In 1963 the Maize Board established a publicity committee to manage the promotion of the market and the Board's public relations programme. Right from the start this committee made a definite contribution to the systematic advertising and marketing actions for the maize industry.

The Maize Board launched various advertising campaigns with a view to promoting the maize industry. The Wally Hayward Marathon in Pretoria as well as soccer games were sponsored, for example, and from 1972 to 1983 the Board sponsored the Dalrymple Cup athletics competition. The Board had a box at the FNB stadium, where selected guests were entertained.

The Maize Board also launched a Putu Competition for black housewives for which they could enter if they bought a sack of meal. At the end of each month a draw was held and prizes were awarded.



Advertising.



Sport promotion.

At the Maize Board's 50th anniversary celebrations in 1985 it was described as an indispensable link between producers and consumers. It was described as follows: 'If it closes its doors tomorrow, South Africa would go hungry within a few days'.

However, it was clear even at that stage that the Maize Board would have to follow an adaptable approach and be open to change in order to provide a more market-oriented system for maize marketing. Some of the challenges for the Maize Board were to make sufficient information available in such a market environment that producers could align their production with market needs and reduce the cost of handling, storing and distributing maize. In addition, it had to plan for the future expected demand for maize, given South Africa's changeable weather patterns and rainfall, the expected increase in population numbers, diversification on maize farms, an increase in productivity and other factors that could affect the production of maize.

During April 1997 all the maize transactions in which the Maize Board was involved were concluded, and on 30 April 1997 the Board ceased all its operating activities. The Board continued until 2007 to manage outstanding matters, mainly involving court cases, the selling of its assets and settling of pools.

With the final settlement of the export pool for the 1996/1997 season an amount of R88,036 million was paid out on 14 August 1997 to maize producers who had delivered maize to the export pool. This was the final payment by the Maize Board to producers and that also concluded the Board's commodity affairs.

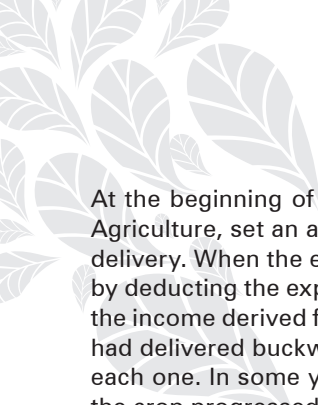
Other products

In the course of time the Maize Board also provided assistance with respect to the marketing of other agricultural products like sorghum (until 1986), potatoes and dry beans (until January 1986), and buckwheat.

Buckwheat was administered in a single-channel pooled system from 1969 at the request of the former Eastern Transvaal Co-operative. As in the case of maize, the system applied to buckwheat that was produced in certain defined areas, although virtually no buckwheat was produced outside those areas in any case. The single-channel pooled system offered buckwheat producers the benefit of exporting their crop over a longer period. This offered the opportunity to manage the marketing so that favourable market prices could be utilised. Virtually the total buckwheat production, except the seed portion, was exported, mainly to Japan and France. The Maize Board marketed buckwheat on this basis until it was dissolved, but potatoes and dry beans were marketed only until January 1986.



The transport of maize, buckwheat and sorghum.



At the beginning of each season the Board, with the approval of the Minister of Agriculture, set an advance price for buckwheat, which was paid to producers on delivery. When the entire crop had been marketed, the final price was determined by deducting the expenditure and costs involved in the marketing of the crop from the income derived from it. The net proceeds were then paid to the producers who had delivered buckwheat to the pool, pro rata according to the mass delivered by each one. In some years an intermediate payment was made as the marketing of the crop progressed.

Buckwheat for domestic use was graded according to the prescriptions of the Maize Board, as no grading regulations had been published under the Marketing Act. However, buckwheat destined for export was graded by inspectors of the Directorate for Agricultural Product Standards according to prescriptions published by the Department of Agricultural Economics and Marketing.

Composition

The first fully fledged Marketing Act was established with the commencement of the first Marketing Act (Act 26 of 1937) in 1938. From 1968 the Maize Board functioned under the Marketing Act of 1968 (Act 59 of 1968) until it was eventually abolished under the Marketing of Agricultural Products Act of 1996.

From 1979 the Maize Board was also subject to the Summer Grain Scheme, as announced by Proclamation R45 of 1979, in carrying out its functions.

Since its establishment the Maize Board was constituted from representatives from all the groups of role-players in the industry, as well as designated government officials. However, the principle of producer majority in the control boards also applied in the Maize Board from the beginning. In the initial years the government was very involved in the Maize Board – to such an extent that the first two Chairpersons were government officials. However, since 1938 the Chairperson was always elected from the ranks of the producer members.

The first Maize Board (1935) comprised 15 members, namely four representatives from maize producers who were members of co-operatives; four representatives from producers who were not members of co-operatives; one representative each for the maize trade, maize brokers, maize millers, maize exporters, animal feed producers and consumers, as well as an official from the Department of Agriculture.

In terms of the Maize Control Scheme of 1939 the number of members of the Maize Board was increased to 19 by increasing the number of producer members to twelve. At the same time, the representation of maize brokers and exporters was abolished, but the consumers and maize trade each received two representatives on the Board.

In the course of time the composition of the Maize Board and its membership changed several times, but always retained the principle that the majority of its members had to comprise representatives from the maize producers.

The Maize Control Scheme made provision for the appointment of advisers to assist the Maize Board. The Minister of Agriculture could appoint one or more officials from the former South African Railways Administration and one or more officials from the Civil Service as advisers to the Board. The Maize Board itself was also entitled to co-opt no more than two persons as advisers to the Board. In addition, the Maize Board was assisted by committees who were tasked with investigating certain matters with respect to the Board and submitting recommendations in this regard to the Board.

Since the establishment of NAMPO in 1980 NAMPO nominated the producer members, who constituted the majority on the Board, to the Maize Board, and the Minister of Agriculture appointed those nominees.

The agreement reached with the Minister in 1987 implemented the important change with respect to the composition of the Maize Board that it would return to the arrangement that had applied until 1985, namely that the producer members on the Maize Board would once more be appointed by the Minister from the ranks of NAMPO nominees. The NAMPO members were elected from the 24 NAMPO regions, which also meant that they were responsible to their electoral colleges. The regions were divided into groups of three, which each appointed a representative.



Wheat and other winter cereals

1930	Wheat Importation Restriction Act – importing of wheat restricted
1931	Flour and Meal Importation Restriction Act – restriction of importing of flour and meal
1935	Wheat Industry Control Act (Act 58 of 1935)
1935	Wheat Industry Control Board – active control of the importing of wheat and wheat meal
1937	Marketing Act
1938	Wheat Control Scheme
1950	Winter Grain Scheme
1973/1974	Board's name shortened to Wheat Board
1987	Control over rye production terminated
1995	Quantitative import control replaced by tariff control
1996/1997	Wheat marketing totally deregulated
1997	Wheat board abolished

Early 1900s

Since the early 1900s wheat producers tried in various ways to achieve greater stability in the wheat industry, but without real success. The details of these attempts are set out in Chapter 1 and varied from improved mutual co-operation to the establishment of organisations like Bokomo and Sasko (today the Pioneer Foods Group).

1930 – Wheat Importation Restriction Act

The government at last adopted the Wheat Importation Restriction Act in 1930 through which the importing of wheat was restricted. A similar act with respect to meal and flour, the Flour and Meal Importation Restriction Act, was adopted in 1931. These acts determined a minimum price at which imported wheat and wheat meal could be landed in South Africa.

The government also determined the price at which South African producers had to be paid for their wheat. However, these prices did not always materialise, as the biggest part of the crop was usually marketed in a very short time at the beginning of the harvesting season. This led to an oversupply in the period, which had a negative effect on the price.

The opinion started to take root that producers should be able to market their crop systematically so that they could utilise beneficial market conditions. This would mean that wheat had to be stored, but the producers had neither the facilities nor the financial means to do so. Co-operatives did have warehouses that could be used for this purpose, but they could not afford the inevitable implications in terms of interest expense, quality and other losses, insurance costs, et cetera. These costs would therefore have to be borne by their members (the producers), which would place the latter in a weaker position than producers who were not members of co-operatives and could sell their entire crop immediately.

1935 – Wheat Industry Control Act

Wheat producers consequently sustained the pressure for greater government support to the wheat industry. Their attempts were rewarded with the creation in 1935 of the Wheat Industry Control Board, which was established in terms of the Wheat Industry Control Act, Act 58 of 1935, with a view to actively controlling the importing of wheat and wheat meal in order to protect the interests of the local wheat producers.

According to the Wheat Board's 50 years' commemorative volume the promulgation of the latter Act was promoted by an exceptionally good harvest in the Swartland and Rûens areas at a time when the marketing mechanisms were not geared to handle a large surplus and ensure a fair price for their products to producers. Despite an advance on the price of wheat that the Land Bank paid to co-operatives, the entire

industry could not be assisted, as the many producers who were not yet members of the co-operatives were unable to share in the advance that was paid.

The Wheat Industry Control Board that was established in terms of the 1935 Act struggled with the surplus problem right from the start, and the importing of wheat and meal was strongly questioned. The establishment of a single-channel marketing system was offered as a solution to this problem by wheat producers.

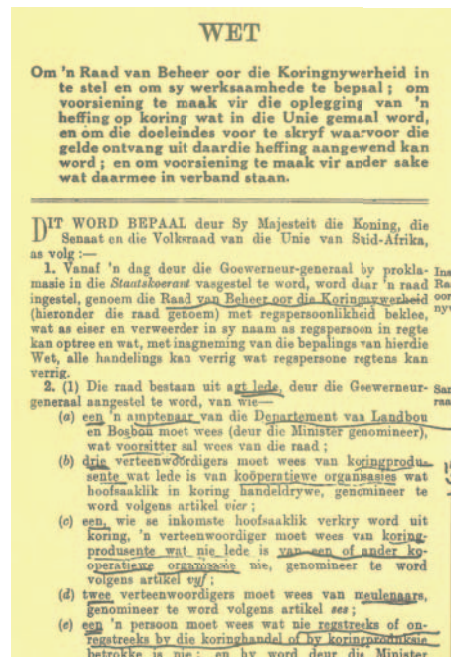
However, the Board introduced other measures with a view to restricting the supply of wheat in the market, which included storing wheat for remuneration. These measures were not very successful and led to the Board deciding to request the government to consider a policy for selling wheat through a single channel on a trial basis for two years. Although this request was not granted, the government agreed to adjust the advance price and grant certain assistance with respect to the storage of wheat. However, it was clear that the powers of this Board, which could be regarded as the first Wheat Board, were inadequate for ensuring the orderly marketing of wheat.

Marketing Act 1937 – Wheat Control Scheme

In preparation for the promulgation of the Marketing Act of 1937 the Wheat Industry Control Board had already started to develop a scheme in terms of that Act according to which the Board would be the only buyer and seller of wheat, would fix wheat prices and take other steps to control the wheat industry. On 5 October 1938 the Wheat Control Scheme that had been developed in the process was announced in accordance with the Marketing Act. This introduced single-channel marketing of wheat and other winter grain products.

The Marketing Act empowered the Board to exercise full control over the wheat-to-bread chain. From 1938 the Board controlled the importing and exporting of wheat and wheat products, prohibited the sale of wheat to any entity other than the Board and its agents, as it did the sale of wheat meal and bread at prices other than those fixed by the Board, and even regulated the size of bakers' ovens. All in all this was the most extensive control of any production chain in the history of the country, and it lasted for roughly 59 years.

The Wheat Industry Control Board that had been established in terms of the 1938 Act convened for the first time on 24 October 1938. The Board had wider powers and responsibilities than its predecessor. The main tasks were to advise the Minister on grading and packaging requirements, as well as on the conditions under which wheat and wheat products could be sold, imported or exported. Some of the Board's other powers were subject to the approval of the Minister, for example



The Act on the Control of the Wheat Industry (Act 58 of 1935).



Sound bite: Price fixing in the Wheat Marketing Board was serious business although there were lighter moments – Mr Jannie de Villiers.



Dry land wheat in the Free State.



One of the first wheat harvesters.



Wheat cutting in the 1900s.



The first motorised wheat combine was introduced in 1953.

charging and collecting levies, fixing prices, registering millers and thresher owners and prohibiting the sale of wheat to any entity other than the Board.

Winter Grain Scheme

The Wheat Control Scheme was in operation for eleven seasons until it was replaced by the Winter Grain Scheme from 1 November 1950. This new scheme made provision for including barley, oats and rye under the control of the Wheat Industry Control Board.

Because of the small scope of rye production and processing in South Africa, all control measures for rye were revoked from 1 October 1987.

The Board's powers in terms of the Winter Grain Scheme were largely the same as for the Wheat Control Scheme and also included the following:

- Controlling the purchase and distribution of wheat, barley, oats and rye in South Africa and appointing agents for this purpose.
- Creating reserve funds with the approval of the Minister of Agriculture.

The price that the Board paid to producers for wheat was determined by the Minister of Agriculture, after negotiation between the producers, millers, bakers and the Board. A price was agreed upon and submitted to the Minister, but in most cases it was announced by the Minister as he had received it.



The early 1900s. Wheat was first cut then threshed (in many instances by contractors).

THE FIRST MEETING OF THE WHEAT BOARD AFTER THE COMMENCEMENT OF THE WHEAT CONTROL SCHEME LASTED 13 DAYS BECAUSE OF THE LARGE NUMBER OF MATTERS THAT BOARD HAD TO ATTEND TO, FOR EXAMPLE THE DETERMINING OF PRICES AND COMMISSIONS, APPOINTMENT OF AGENTS, CONDITIONS OF SALE, DISTRIBUTION RULES, GRADING AND PRICES OF PRODUCTS, AS WELL AS ADMINISTRATIVE MATTERS THAT REQUIRED ATTENTION.



FOR MANY YEARS THE WHEAT BOARD WAS THE SOUTH AFRICAN GOVERNMENT'S REPRESENTATIVE ON THE INTERNATIONAL GRAIN COUNCIL (IGC) AND ATTENDED THE MEETINGS OF THIS ORGANISATION EVERY YEAR. BECAUSE SOUTH AFRICA WAS A NET IMPORTER OF WHEAT, THE IGC'S MEETINGS OFFERED A GOOD OPPORTUNITY NOT ONLY TO KEEP UP WITH DEVELOPMENTS IN THE INDUSTRY, BUT ALSO TO BUILD CONTACTS WITH A VIEW TO IMPORTS.

With the second consolidation of the Winter Grain Scheme during the 1973/1974 season the name of the Wheat Industry Control Board was shortened to the Wheat Board, and an advisory winter grain grading committee was introduced to advise the Wheat Board on matters affecting the grading and classification of winter grain and winter grain products.

Until 1987 winter grain was administered according to a fixed-price single-channel scheme, but from 1987 it was in practice a single-channel pooled scheme.

On the way to deregulation

One of the recommendations of the Wentzel Commission, which is referred to later, was that the process for pricing controlled agricultural products had to be amended. The commission made the following recommendations with respect to the Winter Grain Scheme and the wheat industry – all of which were implemented in due course:

- That control over imports and exports in the first place rested with the government and that the Minister of Agriculture had to decide about the quantities concerned.
- That the Wheat Board had to retain the power to decide about the registration of mills and that the restrictive registration with respect to bread bakers had to be retained, but that restriction on the registration of other bakers like confectioners and pastry cooks be adjusted.
- That the subsidy on the price of bread be reduced systematically.
- That the Marketing Act be amended so that the Minister had the power to set prices and margins at the recommendation of the marketing councils and after consultation with the National Marketing Council.



A modern (combination) wheat harvester at work.

The general drive for a deregulated agricultural market that was found in the maize industry in particular ultimately led to the end of controlled marketing of winter grain crops in South Africa when the Wheat Board was abolished in 1997.

Composition

The Board that was set up under the 1935 Act consisted of eight members, namely an official from the Department of Agriculture and Forestry, three representatives of members of co-operative producers, one representative for non-co-operative producers, two to represent millers and one for the consumers.

After the announcement of the Wheat Control Scheme in 1938, the Board was increased to 14 members, namely five representatives for co-operative wheat producers, three for non-co-operative wheat producers, three for millers, one for bakers, one for consumers and an official from the Department of Agriculture and Forestry. In 1945 the consumers gained another representative, which increased the Board to 15 members.

In terms of the Winter Grain Scheme of 1950 the members of the Wheat Board were increased to 21, eleven of whom represented the wheat producers, while the other interest groups enjoyed smaller representation – like under the previous dispensations. Later the composition of the Wheat Board was reduced to 13 members, eight of



The old Wheat Board building.



The new Wheat Board building.



Sound bite: What is discussed in a caucus session does not always realise around the negotiating table – Mr Jannie de Villiers.



Sound bite: Final issues were settled after the dissolution of the Wheat Board – Mr Andries Beyers.

whom were producer members, two were representatives for the millers and bakers respectively, and one for consumers. Under the Marketing Act the representatives for the producers always had to constitute the majority on the Wheat Board.

In later years wheat producers were represented at provincial level in organised agriculture on the winter grain committees of provincial agricultural unions, of which there were four – one for each of the provinces at the time. The district agricultural unions nominated representatives to the winter grain committees of the various provincial agricultural unions. The National Winter Grain Committee of the South African Agricultural Union was appointed from their ranks on the basis of production, with the result that most of the members came from the Western Cape, with the Free State contributing the second most, followed by the Cape Province and Transvaal.

The district agricultural unions therefore in effect nominated the candidates for appointment as members of the Wheat Board, but the Minister of Agriculture made the final appointments, which were effective for a period of two years. After the establishment of the Winter Grain Producer Organisation (WPO), the latter organisation made the nominations for the Wheat Board.

Sorghum

Before 1945	No control
1945 - 1948/1949	Maize Board operated single-channel pooled system as temporary measure
1949 - 1957	No control
1957/1958	Maize Board operated single-channel pooled system
1957/1958 - 1985	Maize Board operated floor-price system as part of the Summer Grain Scheme
1986 - 1997	Sorghum Board established – operated surplus-removal scheme
1997	Sorghum Board abolished

Nature and scope of control

Traditionally, sorghum was produced and consumed in subsistence farming, without having any marketing structures. Even after commercial producers started cultivating it on a larger scale, the marketing of sorghum was not very successful initially.

From 1945 until the 1948/1949 season the Maize Board handled the marketing of sorghum as a temporary measure in order to establish a single-channel marketing system for sorghum and manage the marketing in a more organised manner. From 1949 there was again no formal control over the marketing of sorghum, until it was taken over once more by the Maize Board in the 1957/1958 season.

In that season a pooled system was used to market sorghum, but from the next season a floor-price system was introduced to stabilise the domestic prices. This system was operated by the Maize Board as part of the Summer Grain Scheme until 1985. The floor-price system was a less comprehensive control scheme than the single-channel scheme that applied with respect to maize. Essentially this involved that the Maize Board announced a price at which the Board was willing to buy sorghum from producers who were unable to sell it elsewhere at a higher price.

The price, which varied depending on the class and grade of sorghum, was therefore a minimum limit or floor, below which the producer price could not fall, hence the reference to 'floor price'. The floor price was set at the beginning of the season by the Maize B, with approval by the Minister of Agriculture. Until the 1964/1965 season the floor price remained in effect from 1 May to 31 October of each year, but in the 1965/1966 season the commencement date was moved to 1 April.

When the floor price was announced, the Maize Board also announced the minimum price at which it would sell sorghum that had been purchased at the floor price for domestic use. The latter price was usually a bit higher than the floor price to make provision for the Maize Board's expenses with respect to sorghum and encourage traders to purchase as much as possible of their requirements directly from the producers early in the season.

In terms of the floor-price scheme traders were free to purchase sorghum directly from producers and trade with it, in contrast to the single-channel marketing systems that applied to maize and wheat. There were also no price prescriptions with respect to this trading.

In practice the Maize Board purchased sorghum directly from producers only in the main production areas. These were clearly defined areas and included the former Transvaal and Orange Free State provinces and a few magisterial districts in the Cape Province and Natal. The Maize Board appointed sorghum agents in those areas to handle and store sorghum that had been obtained from producers under the scheme at prescribed tariffs on behalf of the Board, in accordance with the prescriptions of the Board. The storage facilities belonged to the agents, who were mainly agricultural co-operatives.

Appointment and registration

Initially, until 2 March 1984, sorghum traders were not obliged to register as such with the Maize Board, but processors of sorghum did have to register. All sorghum agents and manufacturers of sorghum products in the Republic had to submit monthly returns of all their transactions in sorghum and sorghum products to the Board. Sorghum traders, on the other hand, were not obliged to submit returns of their transactions in sorghum to the Board, except those who purchased sorghum for their own account in certain identified areas that varied from time to time.

Export

The Maize Board did not undertake to export sorghum itself. The exportable surplus was offered to exporters per tender at predetermined times, and these exporters were responsible for selling and shipping to overseas buyers themselves. However, the Maize Board ensured that the necessary logistical arrangements were made to deliver the sorghum to the successful tenderer in the port, usually in the grain silo at the Durban Harbour.

THE FIRST FEMALE MEMBER OF THE WHEAT BOARD WAS MRS AJE NEL, WHO WAS APPOINTED ON 1 MARCH 1945 AS THE CONSUMER REPRESENTATIVE. SHE CAME FROM POTCHEFSTROOM, WHERE SHE WAS ALSO THE MAYOR OF THE TOWN FOR A PERIOD.



Sound bite: The Sorghum Board was established after committee members felt neglected in the Maize Board – Mr Piet Skinner.

Manufacturers of sorghum malt had to pay a special levy to the Board on the malt they sold. The proceeds of the levy were paid into a special levy fund that was mainly used to cover losses with sorghum exports.

Intervention scheme

The Maize Board's report on the sorghum industry in 1973 mentioned an intervention scheme that was introduced when the export prices of sorghum were lower than those of yellow maize, which usually was the case. If that difference was greater than the difference in the respective values of the two grains as animal feed, the Maize Board made sorghum available at a discount for use in animal feed as an alternative to yellow maize. The discount was based on the difference in the feed values of the individual products.

This meant that larger quantities of yellow maize could be exported for a better net result. The net financial effect of the transaction would then be distributed equally between the between the sorghum and the maize industry.

Self-determination

A growing need for self-determination in the sorghum industry eventually led to negotiations between the National Sorghum Committee of the South African Agricultural Union, the National Marketing Council and the Minister of Agriculture.

The main argument in favour of the establishment of an independent Sorghum Board was that the industry was so big that it should be given the right to handle its own marketing. The argument was supported by the National Sorghum Committee and recommended by the National Marketing Council, which convinced the Minister to establish a control board for the industry.

The Minister of Agriculture at the time, Mr Greyling Wentzel, announced on 22 November 1985 that an independent marketing council for the sorghum industry would be established. The new Sorghum Scheme that was announced on 31 January 1986 was still a voluntary floor-price scheme that applied to the whole country.

That ended the Maize Board's control over the marketing of sorghum. The Sorghum Board carried out the functions that it took over with respect to the marketing of sorghum until control boards were abolished in 1997.

During this period, sorghum marketing was run with little interference and the Sorghum Board was regarded as a precursor to deregulation. The Board's marketing arrangements, including the proposed floor price, were submitted to the Minister of Agriculture for approval every year.

The agricultural co-operatives continued to act as agents of the Sorghum Board to receive and consign sorghum and for the payments that had to be made to producers.

Mission and objectives

The main objective of the Sorghum Board was to promote long-term stability and growth in the sorghum industry.

The objectives of the Sorghum Board were:

- To organise the marketing of sorghum and sorghum products, including their export, according to the provisions of the Marketing Act and the Sorghum Scheme.
- To promote or stimulate the demand for sorghum and sorghum products in accordance with the Marketing Act and the Sorghum Scheme, whether inside or outside the RSA.

Functions and powers

The main functions and powers of the Sorghum Board were:

- To provide market information.
- To buy and sell sorghum or sorghum products at the price or on the basis approved by the Minister.
- To administer the surplus-removal scheme.



The cultivation of sorghum for seed purposes.

ON 30 APRIL 1973 A
TOTAL OF 20 SORGHUM
AGENTS HAD BEEN
APPOINTED.



- To provide assistance for research work with respect to sorghum or sorghum products.
- To establish a database and information service.
- To undertake market development and stimulate the demand for sorghum and sorghum products.
- To introduce levies on sorghum and sorghum products with a view to obtaining funds.
- To introduce an inspection service in order to check, inter alia, the collection of levies.
- Under certain conditions to place restrictions on the sale of sorghum.

Research conducted by the Sorghum Board was funded by statutory levies.

Agents

The agricultural co-operatives were the main agents for the Sorghum Board with respect to the receipt and storage of surplus sorghum. Storage facilities belonged to the agents, who were paid by the Sorghum Board for the cost of storage and handling of the sorghum. The co-operatives usually also provided production credit to producers to cultivate sorghum.

Composition

The Sorghum Board consisted of nine members, being representatives of producers (5), malt manufacturers (1), animal feed manufacturers (11), wholesalers (1) and agents of the Board (1).

The Sorghum Board was also served by various committees, namely a Research Advisory Committee, a Research Expertise Committee, a Marketing Expertise Committee, a Seed Expertise Committee and an Advertising and Promotion Working Group.

Oilseeds

Before 1934	Co-operative co-operation
1934	Groundnut Producer Advisory Committee
1952	Oilseeds Control Scheme and Oilseeds Control Board – sunflower and groundnuts – single-channel pooled system
1994	Control abolished
30 September 1997	Oilseeds Board abolished

Co-operative co-operation

Problems that arose in the early stages of commercial groundnut cultivation in South Africa with respect to the surplus production of food-market groundnuts created a need for the organised marketing of groundnuts, which led to the establishment of co-operative organisations. The first of these was in the Northern Transvaal (Limpopo) area, probably because that was the only groundnut-producing area in South Africa at the time.



LIMITED QUANTITIES OF SORGHUM WERE EXPORTED AND AN IMPORT TARIFF WAS CHARGED ON IMPORTS. IMPORTS AND EXPORTS OF SORGHUM WERE SUBJECT TO QUANTITATIVE CONTROL.



Groundnuts Producer Advisory Committee

In time the need for greater co-operation in die groundnuts industry increased, which led to the merging of co-operative enterprises. In 1934 it resulted in the establishment of the Groundnut Producer Advisory Committee by the Waterberg Co-operative Agricultural Association and other role-players in the industry. The Committee, which comprised representatives from the producers as well as crushers, was later replaced by the official Groundnuts Advisory Committee, chaired by the Secretary of Agriculture.

In order to support the groundnuts industry during the years of the Depression in the 1930s, the government increased the import rights on groundnuts and decreed that no permits for importing groundnuts for crushing purposes would be granted, unless proof could be provided that the local surplus production had been taken up by the crushing industry. The price at which the surplus groundnuts in South Africa were made available to the crushing industry was determined every year after consultation between the Groundnuts Advisory Committee and the Departments of Agriculture and Trade and Industry.

In the meantime the co-operative producer organisations established a central co-operative for oilseeds with a view to mutual consultation and discussion of the interests of the oilseeds industry. This central co-operative, together with the Groundnuts Advisory Committee, campaigned for the establishment of a single-channel marketing scheme in terms of the Marketing Act of 1937.

Oilseeds Control Scheme and Oilseeds Control Board

On 25 February 1952 the Oilseeds Control Scheme was announced in accordance with the Marketing Act of 1937, which started the period of regulation of the oilseeds industry.

The Oilseeds Control Scheme made provision for the establishment of an Oilseeds Control Board (the Oilseeds Board) to which certain powers, authorities and duties with respect to groundnuts and sunflower seeds were delegated. The Oilseeds Board was authorised, in terms of the Oilseeds Control Scheme, to act as the only buyer of the oilseeds, and on 18 April 1952 a proclamation was issued in terms of which the sale of groundnuts and sunflower seed by producers to anybody other than the Oilseeds Board was prohibited. This control was extended to soybeans in 1968.

All the interest groups in the oilseeds industry were represented on the Oilseeds Board, but in accordance with the requirements of the Marketing Act the majority of the Board's members were producers.

In order to make provision for funding for the Oilseeds Board, statutory levies were introduced on sunflower seed and shelled as well as unshelled groundnuts. The first levies were set at 1 shilling/100 lbs (45,36 kg) of shelled groundnuts, 8 pennies/100 lbs of unshelled groundnuts and 7 pennies/100 lbs of sunflower seed.

Functions and powers

The routine functions of the Oilseeds Board included the purchasing, preparation, grading, transport, export and selling of oilseeds, while it also carried out an information supply function with respect to oilseeds. The need for a reliable information service increased with time because of greater international competition and the accompanying price fluctuations.

The Oilseeds Board was given a variety of powers and duties with the approval of the Minister of Agriculture. These included the following:

- The introduction of a prohibition on the sale of oilseeds to anybody other than the Oilseeds Board.
- The fixing of oilseeds prices, charging of levies and creation of reserve funds.
- The drafting of grading and packaging regulations.
- The investment of funds and acquisition of fixed property.

Like the other control boards, the Oilseeds Board appointed agents to receive, grade, store and consign products for the Board. Producers' remuneration for products they delivered to the Oilseeds Board was also paid to them via the agents. The Oilseeds Board appointed the existing handlers of oilseeds as its agents as far as possible, as they already had the expertise and facilities.

At the end of 1952 the Oilseeds Board appointed inspectors, among other things to carry out audit inspections and other investigations of agents, settle grading disputes, grade and sell undergrade products and carry out inspections on groundnuts intended for the export and food markets.

From 1968 the Oilseeds Board also controlled the marketing of soybeans, in addition to groundnuts and sunflower.

The name of the Board was later changed to the Oilseeds Board.

The Oilseeds Board operated a single-channel pooled system for oilseeds. The controlled marketing of oilseeds had certain benefits for the industry, including stability in the market to the benefit of producers as well as off-takers, increased production, exporting of groundnuts of a very high quality and the correct interpretation of market information.

Control abolished

However, due to changed circumstances in the South African political dispensation and international trade the marketing scheme with respect to groundnuts was amended to such an extent on 22 April 1994 that groundnuts could be traded freely by producers and they were allowed to operate a surplus-removal system with voluntary pools and a single-channel export system. In terms of the single-channel export system the Oilseeds Board granted institutions that had supplies and access to selection plants exemption to export groundnuts, subject to the payment of prescribed levies.

These amendments meant that only 30% of the groundnuts crop was sold to the Oilseeds Board in 1994. Groundnuts that were delivered to the Board's voluntary pools were selected and traded domestically as well as overseas.

Since July 1995 the Oilseeds Board's role as exporter of groundnuts effectively became redundant. However, the Board was appointed by the Minister of Agriculture to apply quality control on all groundnuts destined for export in order to try and maintain South Africa's standing with respect to quality standards. The Oilseeds Board played an important role in supplying and co-ordinating information and provided an independent service with respect to sampling and grading.

The Marketing of Agricultural Products Act of 1996 required all existing marketing councils to submit a business plan to the Minister of Agriculture and Forestry and the National Agricultural Marketing Council (NAMC) within 30 days after the NAMC that had been appointed in terms of this Act had convened for the first time. It had to include recommendations on the way in which the conclusion of the activities of the council concerned would be managed.

Any requests by the industry for statutory measures had to be motivated fully in the business plan. The core principle was that statutory measures as well as proposals for the restructuring of the functions of the Oilseeds Board had to be supported by unanimous recommendations from the industry, failing which the Minister could decide about measures for deregulation himself.

As the NAMC proposed to meet for the first time on 6 January 1997, this implied that the business plan for the oilseeds industry, like those for the other agricultural industries, had to be submitted to the NAMC by the first week of February 1997.

The business plan for the oilseeds industry was submitted to the Minister of Agriculture after extensive negotiations between all the role-players in the industry. The business plan made provision for the following structures to look after the interests of the industry after the abolition of the Oilseeds Board:

- The **Oil and Protein Seed Development Trust (OPDT)**, which is discussed in Chapter 3.



- The **Oilseeds Advisory Committee (OAC)** which comprises ten representatives of the industry and convened for the first time on 1 December 1997. In terms of the OPDT trust deed the OAC had to be consulted by the trustees before the OPDT made a decision on any request for financial support.

In terms of the trust deed the OAC was responsible for the appointment of trustees to the OPDT, with the exception of the ministerial representative. However, the committee's primary function was to assess information and research projects in the interest of the broad industry and refer them to the OPDT for funding.

- The **Research Priority Committee** was an OAC committee that was tasked with identifying research and other projects in the interest of the industry and submitting recommendations in this regard to the OAC.
- **SAGIS**, which is discussed in Chapter 3.
- **Industry forums**, born of the need of the various commodity sectors to liaise with one another on common commodity matters after the Oilseeds Board had been phased out. Among other things this included grading, health regulations and research needs.

The following forums were established:

- Groundnuts Forum (1996)
- Sunflower and Soybean Forum (1997)

All the role-players in the value chain could attend the meetings of the forums. Decisions were made on a consensus basis. If the representatives could not reach consensus on a matter, the forum concerned appointed a technical committee to investigate the matter further and submit recommendations to the forum.

- The role-players in the industry regarded the continuation of the **technical services function** that the Oilseeds Board had developed over a period of more than 40 years as essential. This included the application of quality standards, delivery of analytical services and training of graders. This function was transferred to the PPECB from 1 September 1997 with the approval of the Minister of Agriculture.

Oilseeds Board abolished

The deregulation process of the oilseeds industry was completed after the acceptance of the business plan and the Oilseeds Board terminated its activities on 30 September 1997. A liquidation committee was then appointed to deal with the arrangements for completing the Oilseeds Board's outstanding matters.

Investigation of deregulation commences

Serious differences of opinion about single-channel marketing in South Africa existed even with the initial investigations and the acceptance of the system. The Commission of Inquiry into Co-operation and Agricultural Credit (1934) strongly advised against it and the opinion was expressed on various occasions that the system could not work in the long term. The so-called Kassier Report (1992) also advanced reasons as to why it could not continue any longer and mentioned how it linked up with the motivation for the initial opposition to the system.

In spite of all the opposition against controlled marketing, various forums repeatedly pointed out what an enormous role the system had played in the establishment, development and progress of the agricultural industry in South Africa. However, in the end the drive for a free-market system triumphed and the agricultural marketing landscape in South Africa suddenly changed drastically in 1997.

It appears that the factors and conditions that made the biggest contribution to the relaxing of control measures, the ultimate abolition of the single-channel marketing systems and the resulting deregulation of agricultural marketing in South Africa came from the maize industry. The resistance that had built up in the course of time against the Summer Grain Scheme and the measures introduced under it, together with the increasing global move to free trade, played a significant role in the process – more so than any other branch of agriculture.

Changing circumstances as a result of high growth rates in the South African economy in the 1960s and 1970s (5% and 3% respectively), together with a





variety of policy changes in the latter part of that period, indicated that the agricultural sector was ready for change.

In 1976 parliament appointed a commission of enquiry into the Marketing Act – the Wentzel Commission – to report and submit recommendations on the structure of controlled marketing, with specific reference to the composition, powers and functions of the National Marketing Council, the historic development of controlled marketing, certain aspects of the application of the marketing schemes and the functions of the control boards.

The Commission found that a degree of government control over the marketing of agricultural products was in fact necessary. They were of the opinion that the control-board system that had developed over time had made an important contribution to sound and balanced agricultural development in South Africa. The Commission also made various recommendations that, in their opinion, had to receive immediate attention.

The 1980s were characterised by sustained pressure to change the policy direction. In 1983 the Jacobs Committee proposed that the single-channel marketing system be relaxed, but this was rejected by the Minister of Agriculture. In 1984 a White Paper on Agricultural Policy was tabled by the Minister of Agriculture with the aim of ensuring economic, political and social stability by promoting an economically sound agricultural sector, optimising and preserving natural agricultural resources.

In this period political-economic pressure contributed to a more market-oriented approach in the marketing of agricultural products in South Africa. Although the marketing system was initially not totally reformed, the approach with respect to the application of the Marketing Act was amended to be more market oriented in time.

In the maize industry deregulation effectively started in 1987 when the Maize Marketing Scheme changed from a single-channel, fixed-price scheme to a single-channel pooled scheme, and the Maize Board was allowed to decide about the setting of the maize price itself. This was done according to a fixed basis, however, and led to the maize prices fluctuating every year, but government control was relaxed.

The Maize Board also started permitting direct transactions between producers and local consumers and the restrictions in this regard were gradually relaxed over time. Minor price differentiation was permitted between different localities – a sign that deregulation was the order of the day. The enormous deficit that developed in the Stabilisation Fund for maize by the middle to late 1980s led various role-players and policy makers to realise that the system could not continue on the existing basis and further contributed to the pressure for a change in the controlled marketing system.

More generally, pressure at international level increased to abolish quantitative control measures and state subsidies on agricultural products.

In 1991 the yellow-maize processors and consumers proposed a totally deregulated market for yellow maize, and in 1992 a policy working group of the Maize Board proposed that direct maize sales between producers and consumers be expanded, but still with the retention of the single-channel system.

A start was also made to scale down price control on a large number of commodities and a movement developed towards more market-oriented systems, away from pricing, away from the cost-plus-pricing of before.

Producers' increasing dissatisfaction with certain aspects of controlled marketing on agricultural products, as well as the poor performance of the agricultural sector in terms of productivity, put the system under further pressure. The economic environment for agriculture was materially affected by changes to the macro-economic policy, with a stricter monetary policy through interest rate hikes and the weakening exchange rate being the most important. The higher interest rates of the 1980s also caused a change in the Land Bank's approach to subsidies, and fiscal support was reduced by roughly 50% in the period between 1987 and 1993.



The appointment of a Commission of Enquiry into the Marketing Act by the Minister of Agriculture in June 1992 was probably the main event that led to the process of market deregulation from the beginning of 1993. Eight marketing councils were abolished on the basis of the Commission's report.

From 1993 the argument that producers' remuneration be better aligned with the principles of supply and demand became increasingly stronger. The opinion grew that ineffectiveness in the market should be resolved by sound competition and that market mechanisms should be created to make it possible for new participants to enter the market.

These arguments and conditions paved the way for the deregulation of agricultural marketing in South Africa. This was supported by pressure from the negotiation of the General Agreement on Tariffs and Trade (GATT) for the abolition of quantitative control and the introduction of tariffs on agricultural commodities with a view to, among other things, reducing the role of governments and promoting competition.

As a founding member of GATT, South Africa participated in all the negotiations involving GATT from the Uruguay discussions in 1986 until the signing of the Marrakech agreement in December 1993 and the signing of the final agreement of the World Trade Organisation (WTO) in 1994. Some commentators and experts maintained that, in view of South Africa's dependence on international trade, South Africa could not but take thorough cognisance of these agreements.

Agricultural trade in South Africa was traditionally controlled by quantitative control measures in terms of the Marketing Act. Under the Marrakech agreement, this type of control measures had to be replaced by a specific tariff system in order to register the products for export with the WTO. The agreement had the further aim of reducing the tariffs in time.

Although the GATT agreements did not involve only agricultural products, this was the sector on which the tariff reductions arising from them had the biggest impact. Consequently, South Africa submitted counterproposals for the implementation of the agreements. South Africa's proposal that it be classified as a developing country was not accepted, but the USA was prepared to support a proposal that South Africa be regarded as an economy in transition, similar to the former communist states in Eastern Europe.

After 1994 the new South African government introduced a policy to reform commerce, which often exposed businesses in the country to tariffs that were even lower than the fixed tariffs agreed upon in the Uruguay round of GATT.

In the 1994/1995 season the prices, levies and other marketing arrangements with respect to agricultural products were determined by the Minister of Agriculture, and all the role-players were forced to honour them. Because of dissatisfaction from certain role-players in this regard, the Minister instructed a new maize marketing scheme to be developed for the 1994/1995 season, for which purpose the so-called Maize Facilitating Committee (MFC), led by Mr Attie Swart, was appointed in 1994.

The MFC's recommendations were accepted by the Maize Board and the scheme was submitted to the Minister through the National Marketing Council (NMC). However, the Minister did not accept the recommendations, apparently because of the influence of the Chairperson of the NMC. Because of the extreme dissatisfaction of the NAMPO Congress with the Minister's decision, the MFC was requested to reconsider the matter. The MFC's somewhat amended proposal was eventually accepted. The main elements were:

- Selling prices would be formed in the market place without any statutory intervention.
- The Maize Board would operate a surplus export pool and only the Maize Board may export maize.
- A stabilisation levy would be charged on all domestic sales according to a fixed formula to support the producer price of the surplus export pool.

At the direction of the Minister the composition of the Maize Board was left unchanged, as were the controlled areas.

The single-channel export pools were adjusted in 1996 to permit direct exports by international traders.

In the meantime a Maize Advisory Committee was established in 1995 as a policy-making body for the Maize Board. This committee consisted of representatives from all the interest groups in the industry: NAMPO, consumers, processors, buyers and the Department of Agriculture. Although the discussions of the Maize Advisory Committee on occasion led to great disagreement among the different interest groups, the view was that it probably did play a significant role in making producers aware that deregulation was unavoidable and allowing them to prepare for it better.

Even in 1991, when formal talks on South Africa's system of controlled agricultural marketing started between the government, organised agriculture and the business sector, most of the parties believed that controlled marketing was irreconcilable with a free market for agriculture and had to end. This, together with further factors that were mentioned briefly, and the change in the political dispensation in South Africa in 1994, eventually led to the Marketing of Agricultural Products Act being accepted in 1996 and – arising from this – to the abolition of the marketing councils.



Sound bite: The Maize Board sent a representative group from the industry on an overseas tour to investigate the marketing systems of countries with grain markets which were already deregulated – Dr Chris Wentzel.



Sound bite: The Maize Advisory Committee was a synergy between representatives of NAMPO, grain buyers, the millers and consumers – Mr Cerneels Claassen.



Sound bite: At the time communication in the Maize Advisory Committee was structured in an inner and outer circle – Mr Jannie de Villiers.

